

Message Text

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DEPARTMENT PASS EXIMBANK

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SUBJECT: PROPOSED YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC
COOPERATION

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SUMMARY: TALKS WITH ASSISTANT FINANCE SECRETARY STOJILJKOVIC
AND SENIOR YUGOSLAV BANKERS HAVE PROVIDED ADDITIONAL INFORMATION
ON THE LONG-DELAYED YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC
COOPERATION DESCRIBED IN REFTELS. PASSAGE OF AUTHORIZING
LEGISLATION IS NOW EXPECTED AROUND NOVEMBER, ALTHOUGH THE SCOPE
OF THE BANK'S OPERATIONS IS STILL UNCERTAIN. END SUMMARY.

1. ON MAY 18, MIODRAG STOJILJKOVIC, ASSISTANT SECRETARY OF
FINANCE, DESCRIBED THE ROLE OF THE PROPOSED BANK TO EXIM AND
EMBASSY OFFICERS AS PRIMARILY THE FINANCING OF EXPORTS,
ENCOURAGING JOINT VENTURES AND LONG-TERM COOPERATION, AND
INCORPORATING THE FUNCTIONS OF THE CURRENT "EXPORT AND CREDIT
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FUND" HEADED BY SLAVKO BAUM. THIS DESCRIPTION CONFORMS WITH
RECENT COMMENTS MADE BY SENIOR BEOGRADSKA BANKA AND JUGOBANKA
EXECUTIVES. ALL AGREED THAT DESPITE DISAGREEMENTS AND DELAYS,
THEY EXPECTED PASSAGE OF THE AUTHORIZING LEGISLATION AROUND
NOVEMBER. ALL INDICATED THAT THE IMPLEMENTING LEGISLATION,
AFTER A PERIOD OF DORMANCY, WAS NOW BEING ACTIVELY CONSIDERED
ONCE AGAIN.

2. STOJILJKOVIC WENT ON TO DESCRIBE THE PROPOSED BANK AS A JOINT GOVERNMENT-COMMERCIAL BANK VENTURE (NOTE: HE DID NOT GO INTO THE MECHANICS OF HOW THIS WILL WORK IN PRACTICE -- WHICH EMBASSY HAS HEARD IS THE MAJOR OBSTACLE TO CREATION OF THE BANK). STOJILJKOVIC SAID THAT THE IDEA OF THE BANK WAS CONCEIVED BY KARDELJ, WHO CONTINUES TO BACK IT. IT HAS BEEN RESISTED BY THE COMMERCIAL BANKS " FOR THEIR OWN REASONS".

3. TOMA GRANFIL, EX-AMBASSADOR TO THE U.S., WAS MENTIONED BY BOTH JUGOBANKA EXECUTIVES AND STOJILJKOVIC AS THE STRONGEST CANDIDATE TO HEAD THE NEW BANK. STOJILJKOVIC DESCRIBED THE COMPETITION FOR THE POSITION AS "INTENSE" WITH THREE PEOPLE ORIGINALLY IN THE RUNNING FOR IT. BESIDES GRANFIL, JANKO SMOLE, EX-FEC MEMBER, WAS HIGHLY INTERESTED. HE DROPPED OUT, HOWEVER, WHEN THE IMPLEMENTING LEGISLATION BOGGED DOWN IN THE FEDERAL ASSEMBLY AND ACCEPTED THE PRESIDENCY OF LJUBLJANSKA BANKA INSTEAD. THE NAME OF THE THIRD CANDIDATE WAS NOT SPECIFIED, ALTHOUGH EMBOFF HAD HEARD THAT STOJILJKOVIC HIMSELF WAS A SERIOUS CANDIDATE.

4. COMMENT. IT IS LIKELY THAT THE YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC COOPERATION WILL BE A REALITY AT SOME POINT, BUT IT IS STILL UNCERTAIN WHEN IT WOULD BEGIN OPERATIONS AND WHAT ITS EXACT ROLE WOULD BE. ALL INFORMATION WHICH THE EMBASSY HAS RECEIVED FROM AN EXTENSIVE SERIES OF PRESS ARTICLES AND LIMITED OFFICIAL USE

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DISCUSSIONS WITH SENIOR GOVERNMENT OFFICIALS AND BANKING EXECUTIVES IN THE PAST SIX MONTHS INDICATES THAT THE BANK'S FUNCTIONS WILL BE SIMILAR TO THOSE DESCRIBED IN PARAGRAPHS 1 AND 2 ABOVE AND FAR LESS THAN SUGGESTED IN REFTTEL A. IT IS, FOR EXAMPLE, VIRTUALLY INCONCEIVABLE THAT IT WOULD TAKE OVER ALL FOREIGN TRANSACTIONS FROM THE COMMERCIAL BANKS.

5. WHILE IT IS POSSIBLE THAT THE BANK WOULD BE AUTHORIZED TO GUARANTEE SOME FOREIGN CREDITS, EXIM SHOULD NOT RELY ON THIS POSSIBILITY IN ITS NEGOTIATIONS WITH THE YUGOSLAVS ON THE GUARANTEE ISSUE. WE SIMPLY CANNOT PREDICT WHAT THE FUNCTIONS OF THE BANK WILL BE AND PAST DELAYS IN PASSAGE OF ITS IMPLEMENTING LEGISLATION MAKE CURRENT PROJECTIONS OF A NOVEMBER PASSAGE UNCERTAIN. FURTHERMORE, IT IS THE EMBASSY'S CONSIDERED OPINION THAT ANY GUARANTEES ISSUED BY THIS PROPOSED BANK WOULD BE TO INTERNATIONAL ORGANIZATIONS SUCH AS THE WORLD BANK OR IN TRULY EXCEPTIONAL CASES FOR PROJECTS OF GREAT IMPORTANCE TO YUGOSLAVIA AS A WHOLE-NOT FOR ROUTINE PROJECTS.

6. FINALLY, THE PROBLEMS WHICH THIS PROPOSED BANK HAS ENCOUNTERED ARE BUT ONE MORE EXAMPLE OF THE REAL PLURALITY WHICH EXISTS IN THE ECONOMIC DECISION-MAKING IN YUGOSLAVIA TODAY. EVEN WITH THE

REPORTED BACKING OF SUCH AN IMPORTANT FIGURE AS KARDELJ, THE
CREATION OF THIS BANK AND ITS OPERATING SCOPE ARE STILL BEING
VIGOROUSLY DEBATED.
EAGLEBURGER

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